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March 30, 2001

**BY HAND**

Magalie Roman Salas, Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, S.W., Room TW-A325  
Washington, D.C. 20554

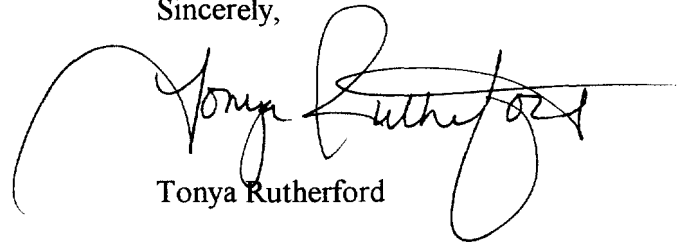
Re: Comments of CenturyTel, Inc. regarding Federal-State Joint Board on Universal Service Petition for Agreement with Change in Definition of Rural LEC Service Areas in the State of Arizona, CC Docket No. 96-45

Dear Ms. Salas:

Enclosed please find an original and 4 copies of the Comments of CenturyTel, Inc., in the above-referenced proceeding.

Please stamp and return to me the copy provided for this purpose. If you have any questions regarding this matter, please call me at (202) 637-1023.

Sincerely,

  
Tonya Rutherford

cc: Sheryl Todd (with diskette)  
International Transcription Services, Inc. (with diskette)

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Before the  
Federal Communications Commission  
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MAR 30 2001

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

In the Matter of )  
)  
Federal-State Joint Board on ) CC Docket No. 96-45  
Universal Service )  
)  
Petition for Agreement with Change )  
in Definition of Rural LEC Service Areas )  
in the State of Arizona )

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REPLY COMMENTS OF CENTURYTEL, INC.

CenturyTel, Inc. ("CenturyTel"), through its attorneys, hereby offers the following Reply Comments on the above-captioned Petition for Agreement with Change in Definition of Rural LEC Service Areas in the State of Arizona<sup>1</sup> ("Petition") released by Public Notice on February 15, 2001.<sup>2</sup>

**I. INTRODUCTION**

CenturyTel continues to support disaggregation of universal support by individual wire center for the Native American lands within the Arizona 3 Service Area. Also, CenturyTel supports Table Top Telephone Company's ("Table Top") Comments in this proceeding to the extent that Table Top requests clarification that the high cost fund (HCF) loop freeze proposed in the Rural Task Force Plan (RTF Plan) would only apply to those portions of the rural ILEC's service area where the competing eligible telecommunications carrier (ETC) provides service.<sup>3</sup> CenturyTel urges the Commission to clarify that, if it adopts the RTF Plan's recommendation to

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<sup>1</sup> *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Petition for Agreement with Change in Definition of Rural LEC Service Areas in the State of Arizona (filed Feb. 1, 2001).

<sup>2</sup> *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Public Notice, DA 01-409 (rel. Feb. 15, 2001) ("Public Notice").

<sup>3</sup> Comments of Table Top in CC Docket No. 96-45, at 6 (filed March 16, 2001).

freeze the HCF when a competitive ETC enters the market, support will be frozen only for the service area where a competitive ETC actually operates, not the ILEC's entire study area, if the two are not identical. Furthermore, CenturyTel urges the Commission to ensure that support is disaggregated by individual wire center *prior* to freezing high cost loop support for the service areas where the competitive ETC operates.

## II. DISCUSSION

### A. **The Commission should freeze high cost loop support only for those service areas where the competitive ETC is approved and providing service.**

Acknowledging that competitive carriers are unlikely to serve high-cost areas if they are unable to recover their costs of providing service, the Commission concluded that the portability of support in non-rural areas to a competitive ETC when it captures subscribers would aid the entry of competition in rural study areas.<sup>4</sup> As a companion principle to support portability, the Commission has recognized that competitive neutrality will promote emerging technologies that may provide competitive alternatives to rural areas and ultimately will benefit rural consumers.<sup>5</sup>

The principles of portability of support and competitive neutrality serve as the underpinning for the high cost freeze proposed in the RTF Plan. Specifically, under the RTF Plan, if a competitive ETC has been approved and is providing service in a study area, high cost loop support would be frozen for both the ILEC and the competitive ETC at the level of the

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<sup>4</sup> *Federal-State Joint Board on Universal Service*, Report and Order, CC Docket No. 96-45, 12 FCC Rcd 8776, 8944, ¶ 311 (*Universal Service Order*).

<sup>5</sup> *Universal Service Order* at 8802-03, ¶ 50.

ILEC's support for the previous year.<sup>6</sup> Thus, Smith Bagley, as a wireless carrier, would receive the same level of support per line as CenturyTel.

The RTF Plan has three goals: (1) to ensure that rural carrier support is specific, predictable, and sufficient to ensure reasonable comparability of rates and services between urban and rural areas; (2) to promote competition by making high cost support explicit and portable; and (3) to ensure that support is targeted to the highest-cost lines served by a rural carrier through disaggregation of the total support amount. While the RTF's proposed freeze on high cost support within areas served by a competing ETC solves certain administrative problems otherwise associated with support calculations, it does little to advance any of these three goals where a competitive ETC is not providing service.

Rather, freezing the HCF at the ILEC's support level in the previous year runs counter to Section 254's requirement that universal service support be *sufficient* to ensure reasonably comparable services and rates between urban and rural areas.<sup>7</sup> As such, application of this aspect of the RTF Plan should be carefully limited only to those areas where a competitive ETC is actually designated and providing service. Indeed, a freeze on the HCF throughout the entire study area when a competitive ETC only serves a portion of the study area may discourage ILECs from investing in loop plant in the non-competitive service areas because they may be unable to properly recover their costs to the extent that their investment costs exceed support payments. If carriers are unable to recover their costs, it will be more difficult for them to modernize their facilities, which ultimately may deprive rural customers of new services. To ensure that carriers such as CenturyTel are able to continue to recoup their investment costs in

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<sup>6</sup> *Federal-State Joint Board on Universal Service*, Rural Task Force Recommendation to the Federal-State Joint Board on Universal Service (rel. Sept. 29, 2000) (RTF Plan) at 25-27.

<sup>7</sup> 47 U.S.C. § 254(b),(e).

rural exchanges, the Commission should freeze the HCF only in those service areas where a competitive ETC has been designated and is providing service.

**B. The Commission should ensure that high cost loop support is disaggregated by individual wire center prior to freezing support.**

As CenturyTel stated in its Comments in this proceeding, disaggregation of support should be required as a condition of the Commission's approval of any newly defined service area.<sup>8</sup> In the event that the Commission adopts the HCF freeze, it is imperative that the Commission require that high cost support be disaggregated prior to the freeze.

If the ILEC's high cost support is not disaggregated before the HCF freeze, support may be artificially inflated when the competitive ETC enters the market. For example, if the competitive ETC provides service in a relatively lower-cost service area, and support is not disaggregated prior to the freeze, the competitive ETC could receive a windfall by competing in a relatively low-cost area while receiving support that was based on higher average costs. Similarly, if the competitive ETC provides service in a relatively higher-cost service area, support may be inadequate because it was based on relatively lower average costs.

Disaggregation of support prior to the HCF freeze, on the other hand, would cure these anomalous results. Relatively higher-cost areas would receive greater support that more accurately reflects higher costs, and relatively lower-cost areas would receive less support reflecting their lower costs. In order to ensure that universal service support is sufficient, therefore, the Commission should require that support be disaggregated prior to freezing the HCF.

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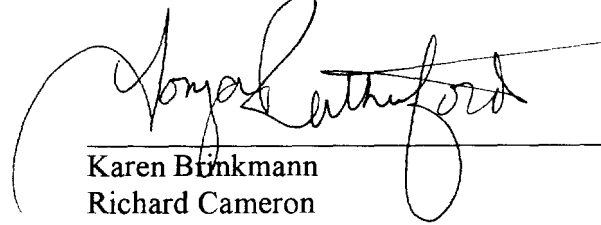
<sup>8</sup> Comments of CenturyTel in CC Docket No. 96-45, at 4 (filed March 16, 2001).

### III. CONCLUSION

For the foregoing reasons, CenturyTel recommends the Commission require disaggregation of support by individual wire centers for the Native American lands within the Arizona 3 Service Area prior to freezing high cost loop support for the service areas where Smith Bagley has been designated as a competitive ETC and is providing service, and only freeze support in those areas, rather than in the entire ILEC study area.

Respectfully submitted,

CENTURYTEL, INC.

A handwritten signature in black ink, appearing to read "Tonya Rutherford", is written over a horizontal line.

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Tonya Rutherford\*  
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March 30, 2001